

CHAPTER EIGHT (8)

GSP

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NIGERIAN GOVERNMENT & ECONOMIC



POST-COLONIAL POLITICAL ECONOMY

The Relationship between Political and Economic Systems
Initial Post-Colonial Political Economy
The Contemporary Political Economy
Implications of Unstable Political Economy for Some Sectors

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NIGERIAN GOVERNMENT AND ECONOMY

CHAPTER 8

POST-COLONIAL POLITICAL ECONOMY

8.1 THE RELATIONSHIP BETWEEN POLITICAL AND ECONOMIC SYSTEMS

The political ideology of any country influences the types of economic strategies it adopts. There are two main types of economic strategies a country may adopt *capitalism* and *Socialism*. Capitalism encourages the accumulation of wealth and means of production by private individuals, whereas socialism encourages central (government) control of wealth and means of production for the common good. It is the common belief that *democracy* promotes *capitalism* while *dictatorship* and other *non-democratic political arrangements* encourage *socialism*. An extreme form of socialism is communism. The view of an ancient Greek on this matter is summarized by the new Standard Encyclopedia, NSE (1984) as follows:

“This phase of economics, sometimes called *political economy*, has been discussed since the era of Plato and Aristotle, the ancient Greek philosophers. Plato proposed a state in which the individual would be subordinate to nation, children would belong to the state, and property would be owned in common - in effect, collectivism, the basis of modern socialism and

communism. Aristotle, on the contrary favoured personal freedom, individual initiative, and private ownership of property - in effect, free enterprise or capitalism.”

The classical economists such as *Adam Smith*, *David Ricardo* and *John Stuart Mill* advocated a policy of *laissez faire* which has become the heart of private enterprises system. Conversely, *Karl Marx*, and other like him, advocated a state controlled economy, or **communism**, just like Plato. The fear expressed by the socialists about the capitalists is that invariably, the wealth of a nation is held by a small minority who often tramples, economically, on the large minority. On the other hand, socialism is believed to ensure a relatively more equal access to the use of the wealth of the nation, even though nobody may claim absolute ownership. However, hardly any national economy is wholly controlled by the government or wholly democratic and none is wholly dictatorial. These political and economic arrangements are in continuum of variety of mixed rations, where we can envisage a theoretical wholly democratic capitalist system at one end, and a wholly dictatorial communist system at the other end. The reality lies somewhere in between the two ends. Where the arrangement is near the democratic capitalist end, we count it as democratic with emphasis on capitalism. Where the reality lies near the other end, we declare that it is a dictatorial socialism. Where it lies somewhere middle, we classify it as mixed. In other words, there is usually a mix of these two strategies in most political and economic

arrangements. It is the ratio of the mixing that varies from one nation to the other.

In Nigeria, the economic system is the mixed economy, even though it aims at democracy that is disrupted very often by military dictatorship as cited earlier. Some political parties and political luminaries of Nigeria have, over the years tried to coin a number of names for the political economic they believe Nigeria is practicing. The names they have used include: democratic welfarism, egalitarian socialism and that credited to the late **Mallam Aminu Kano** - *Democratic Humanism*. These names are only attempts to describe the ratio between dictatorial and democratic political tendencies focus, on the one hand, and the concomitant ratio between capitalistic and socialistic economic focus, on the other hand, in Nigerian Government's pursuit of its idea of Mixed Economy. For example, the concept of ***Democratic Humanism*** implies that the Government is *predominantly democratic in governance*, and *capitalistic in economic development*. However, it pursues capitalism with human face, whereby certain enterprises are controlled and subsidized by Government as social services to alleviate poverty.

Thus, certain means of production, services and property are owned by the government, while others are owned by private individuals. Indeed, there are provisions now permitting private participation in some areas previously monopolized by the government through processes of privatization and commercialization. Such enterprises include oil refinery, power

generation, large scale water supply; tertiary education, among others. It may be argued that the economic strategy termed privatization is designed to promote capitalism in the country, and many socialists are already raising some alarm. The big question is how can it be done well? We shall now trace the history of Nigerian Political Economy since independence.

8.2 INITIAL POST-COLONIAL POLITICAL ECONOMY

At the end of the colonial period in 1960, the political economy of the country had assumed the mixed economy type. The colonial government was not completely democratic being an exploitative regime. As a result of this, it had got involved in the economic activities of the country in order to ensure the export of raw materials to England. Agricultural production was still privately controlled even though processing of produce was governmental-directed. Commerce was also government-directed through foreign corporations and home-grown commodity boards. This was the arrangement handed over to the government of *Alhaji Abubakar Tafawa Balewa*. Of course, the political arrangement became more mixed as government came to control more enterprises, particularly in the industrial sector. Enterprises that became more privatized include primary and secondary education, especially in the southern parts of the country.

The coming of the military regimes and their dictatorial tendencies led to greater control national wealth and the means of production by the government. For example, government took over all schools from the private owners, except the

nursery level. By the time the **second Republic** was established on **October 1, 1979**, the political economy was more public than private controlled. The **second democratic republic** did very little to change this trend before the military came aboard again on **January 1, 1984**. The largely lasted until **May 29, 1999** with numerous shades of dictatorship and accompanying shifts in economic policies as would be seen later. What these changes did to some sectors of the Nigerian economy will be examined in the latter part of this Chapter (Section 8.4).

8.3 THE CONTEMPORARY POLITICAL ECONOMY

In the dying days of the military dictatorship in the 20th century, particularly from about 1996, it even dawned on the dictators that government hold on the economy was crippling national economic and give room for more private ownership. The first strategy was through the commercialization of some government enterprises and the second was the complete privatization of others. The initial move was faulted because people suspected that the government functionaries were the ones on the queue to buy up the nation. However, the coming of a democratic political arrangement since **June 1999** has enabled truly private entrepreneurs to take over the government-owned enterprises. Thus, the contemporary political economy of the country as of the year **2000** could be described as democratic, leaning towards capitalism.

As hinted earlier, the next section shall trace the effects of these changing phases of the Nigerian political economy on the

fortunes of some sectors of the economy, identified for this course as the agricultural, industrial and crude oil sectors.

8.4 IMPLICATIONS OF UNSTABLE POLITICAL ECONOMY FOR SOME SECTORS

The implications of the unstable political economy of the country since the pre-colonial days consist of the crisis in economic development and resources use. This point is illustrated in this reference to three sectors of the Nigerian Economy, as shall be discussed presently. However, it should be realized that the situation has affected all the sectors of the economy.

8.4.1 AGRICULTURE AND CRISIS IN THE SECTOR

Nigerian is blessed with all the productive tropical climates with only a very small area (less than 5%) initially in the Sahel savanna. It is believed that in the pre-colonial days, all the parts of the country were self-sufficient in food production and there was some inter-regional trade in several agricultural products. The production system was completely private under individual, family group or communal participation. The goal was simple to produce enough food and other materials to satisfy the basic needs. However, during the colonial period, exotic cash crops (*cocoa, rubber*) were introduced while local ones were commercialized, or improved varieties introduced (*cotton, tobacco, oil palm, groundnut*). Government started to control the production of privately owned commodities, such as *cocoa, rubber, cotton, tobacco* and other by some fiscal and political policies. Indeed, a few government experimental

plantations of these commodities were established. The period also saw the introduction of money economy under which people paid taxes by cash.

Thus, the farmers concentrated on the production of cash crops and neglected food crops. This concentration on cash crops is the first problem the agriculture sector faced, under the emerging mixed economy.

Also, during the colonial period, centres of urban development increased and Western-types education was introduced. The Western-type education was initially government owned and controlled, and was designed to produce civil servants and teachers - the so-called white collar workers. Thus, there was a drift of rural young people to the cities and major settlements, leaving the farms for the old and uneducated persons. This combination of urbanization and Western-type education constituted yet another problem to the agricultural sector during the period. Similarly, the fact that the farm implements remaining the simple crude ones that the peasants can understand. The farm-holdings remained small, and still even today. Nonetheless, at the time of independence, the country's economy was clearly agricultural as illustrated in Table 1.

S/N	ECONOMIC SECTOR	1958/59 (%)
1.	Agriculture, Forestry and Fishing	69.4
2.	Mining	1.1
3.	Manufacturing, etc.	4.6
4.	Electricity and Water	0.1

5.	Building and Construction	4.2
6.	Distribution	2.5
7.	Transport and Communication	?
8.	General Government	3.0
9.	Education	2.5
10.	Health	0.1
11.	Other Service	0.1

Source: *World Bank Report (1960)*

The exploitation and export of crude oil in the immediate post-colonial days made petro-naira available to buy practically anything, including food. The petrol naira was (is still) controlled by the government and, in this way, the government was able to invade the industrial sector of the economy. It financed gigantic projects, many of which are “*white elephants*” today. The government also dabbled into commercial activities such as food importation and distribution, as well as the importation and distribution of other commodities. The government even got involved in banking and obtained shares in some commercial banks, besides running the Central Bank. The “*Rice Armada*” and the cement “*invasion*” of the Second Republic are clear examples of government’s excursion into socialistic control of the economy.

Worse still, the prices of exported cash crops continue to decline on the world market. Thus, agricultural production came to also naught as both cash and food crops. Were abandoned, and agriculture came to near complete paralysis. The effects of the crisis in the agricultural sector persisted until

the glut in crude oil production, with falling prices, stared the nation in the face in the early 1980s. The import bills of goods, including raw materials, became too high, and scarcity and shortage of essential commodities plagued the Nigerian economy. Even today, agriculture contributes marginally to the Gross National Product, and much less an export commodity. Indeed government is still busy importing food items. Thus, the NNN (2000) reported on **August 11, 2000**, that the Federal Government spent **fifty billion Niara (N50 billion)** on food importation within the immediate past six months of that year. It should be remembers that during the colonial period and up to the first years of independence, Nigeria was a leading exporter of vegetable oils - particularly palm oil.

Since this realization that agriculture has lost its glory, every government has been trying to correct the problem. These was the **Operation Feed the Nation (OFN)** programme under **General Obasanjo**, the **Green Revolution** under **Alhaji Shagari**, the **Back to Land** and others under **General Buhari**, the **Accelerated Wheat Production** scheme and many other programmes under **General Babangida** with support institutions such as **DBRRI**, and numerous agriculture-related projects under the regime of **General Abacha**. However, the crisis still remains because:

- Old peasants are still the ones engaged in the sector - more than 70% are poor peasants;
- Crude implements are still in use to till small holdings - hoe cutlass (machetes) stickles, etc.

- Rural-urban drift still occurs with increasing number of growth poles following changes in spatial arrangements of political entities; and
- Those mostly engaged in the sector lack appropriate knowledge to apply modern technology adequately.

8.4.2 INDUSTRIALIZATION PROGRAMMES: STRATEGIES AND PROBLEMS

There is usually a debate about which is the best route to a country's economic development: *agricultural development* or *industrialization*. The answer is not a straight forward one. It is agreed that **the development of the agricultural sector is a pre-requisite for the industries**. However, dependence on agriculture alone is not sufficient for buoyant national economy. Thus, both agriculture and industries are needed. In the pre-colonial days, industries in Nigeria were limited to local crafts and food processing for home consumption and local markets. These were privately owned and controlled, either by individuals or by guilds. The government of the time had very little to do beyond receiving the tribute that came from producers. During the colonial days, the processing of cash and commercialized crops was improved and encouraged, but with tobacco curing sheds, rubber processors, saw mills and ginning factories, besides the erstwhile home crafts and food processing. There was no manufacturing of any substance in place. Definitely, there was nothing like modern textile industries.

However, in the immediate post-colonial days, the fever of establishing manufacturing industries gripped the government. The first growth poles were primate cities where industrial estates were set out. Consider the **Ilupeju Industrial Layout of Lagos** and the **Bompai Industrial Estate of Kano** to mention two. All other major towns had their industrial estates where virtually every type of light industries were located. The only exception was the petroleum refining industries for which the first one was at **Eleme**, a relatively rural area.

The shift in the political economy of the country and some other factors adversely affected, industrialization in the country. Perhaps, the main factor is that initially the government was the motivator of the industrial awakening. Thus, it either owned and controlled the industrial enterprises completely, or had substantial shares in their capital outlay. Unfortunately, the colonial experience has planted in the mind of many Nigerians that government work is slave work. Extended to government-controlled enterprises, it means government enterprises in an enterprise for the slave owner, not to be taken seriously by the freeborn. Hence, the government control of industries (and other enterprises) since independence has not helped the economy, including industrialization in the country.

Secondly, it soon became clear that the industrialization programme was too much on the cities, compounding of rural-urban migration and agricultural decline. Also, there was an absence of heavy industries. Consequently, the next wave of industries in the late 1970s was directed at correcting lapses.

Iron and steel and car assemblies were introduced to correct the absence of heavy industries, while cottage industries in rural areas were encouraged to bring modern amenities to such areas. Indeed, the cement factories which favour the place of raw materials were easily located usually in smaller town such as **Ewekoro, Ukpilla Gboko, Ashaka** and so on, the one at **Nkalagu** being the first to come during the **First Development Plan** However, in some cases, the locations of the industries were not informed by pure economic considerations. The most quoted examples are the **Steel Rolling Mills** at **Oshogbo, Jos** and **Katsina**. They would seem to respond to government whim. There are many other examples with political or other factors weighing more than economic factors in their location. Besides, many of the industries depend on imported raw materials, including **knock-down components**, and **turn-key machinery**. Thus, most in industrial set-ups finds it difficult to produce at the installed capacity, while others fail all together. What is more, the Nigerian attitudes of looking low on Nigerian products have not helped the industries to grow. Indeed, some industries produce strictly for export while the products of most the tanneries that pollute the environment are geared towards exports.

All the same, there are many manufacturing industries in the country today covering a large variety of products. Many of these are now owned privately, or are in the process of being privatized. The most improved industry, benefiting from the revenue accruing from crude oil exploitation is the building and

construction industry. The inflow of money and the interest in industrialization after the **Nigerian Civil War** was over. Consequently, by **1974** it was the fourth most important among the sectors of the Nigerian economy. It still more or less maintains that position today.

8.4.3 Oil Wealth: The Boom or the Doom - a Dilemma

Crude oil was discovered towards the end of the colonial period in the Niger Delta/ the **first crude oil well** was drilled at **Oloibiri** and the first export was made in **1958**. By early to the middle **1960s** Nigeria was making steady progress in crude oil exploration and exploitation, mainly for export. Crude oil began to contribute substantially to both the **Gross Domestic Product (GDP)** and the export of the country.

There was a little depression during the period of the **Nigerian Civil War (June 1967 - January 1970)**. However, production picked up again after the war. Thus, **mining**, including **crude oil production**, which accounted for only **1.1%** of the GDP at independence, was almost at par with **agriculture in 1973**. Events in **1973** such as the closure of the **Suez Canal**, owing to the **Arab-Israeli War** boosted petroleum production such that by **1974**, **mining**, particularly **crude oil production** had overtaken **agriculture accounting** for not less than **60%** of the **GDP** and over **70%** of the **foreign exchange earnings**, and proceeds from crude oil out-paced that of agriculture several time over.

So much money was coming to the country that a Nigerian Leader declared in **1974** that money was not Nigeria's problem;

the problem was how to spend it. Unfortunately, this boom led to the abandonment of almost all other areas of endeavor and crude oil exploitation became almost the only focus. Crude oil accounted for about **90%** of the **GDP** in the late **1970s** and up to **95%** of its export value. One of the major problems (and still is) the fact that government was completely in charge of the sector, while foreign corporation explore and exploit the resource. For example, the apex institution in charge of refining and distributing petroleum products - the **NNPC** - was fully owned by the government until the year **2000**. So were other downstream oil enterprises. The money earned this way encouraged reckless government spending and establishment of ill-planned projects. The right idea was to plan big. This, as we have pointed earlier, affected even the agricultural sector. Agriculture, which contributed up to **70%** of the visible export during the colonial days (Table 1), could hardly account for **4%** during the oil boom and its consequent glut. Lip service was paid to industrialization and the acquisition of technology. The exploitation of other minerals except those needed for producing construction goods, such as cement, was highly neglected. Indeed, the exploitation and export of coal ceased altogether, while tin and columbite suffered a serious decline. Ironically, many of the early industries and big projects collapsed following the glut in crude oil trade in the early **1980s**. It is this adverse effect the crude oil exploitation has on the other sectors of the Nigerian economy, contrary to the positive ones it has in place like Saudi Arabia, that make people refer to it as oil doom in Nigeria. It is the same reason that

makes crude oil a source of dilemma to economic development in the country. However, since the **1980s** through the **1990s** the governments have been making concerted efforts to diversify the Nigerian economic development so that the dependence on crude oil will be reduced. Indeed, attention is now actively turned to the exploration and exploitation of solid minerals. For example, mining of coal for export has resumed at Enugu, and the first shipment was made early in **1997** after decades of abandonment. Other solid minerals are being explored for exploitation. For example, the report of the Nigerian Mineral Appraisal and Monetization Programme (NIMAMOP, 1997) indicates that there are about 450 viable solid minerals in Nigeria, as against the **33** such minerals earlier believed to be viable in the country. Also, many of the abandoned projects following the oil glut are now being reactivated. Much still needs to be done. Crude oil and related activities still account for over **80%** of the **GDP** and up to **85%** of the total export by value. It is hoped that the oil wealth will be tuned properly to help other sectors of the economy to grow efficiently. The hope is placed in the privatization of the several supporting institutions established to boost the oil sector of the economy.